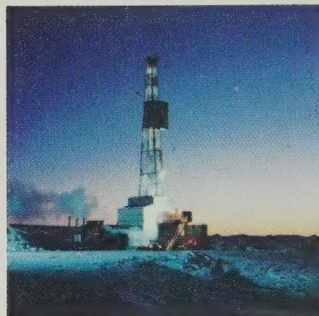


**AR33**

**Great Plains  
Development Company  
of Canada, Ltd.**

**Annual Report 1972**

# GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.



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Good financial year for Great Plains in 1972. Outlook for 1973 is encouraging with higher prices for oil and gas, additional gas production and increased exploration in new areas.

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The Annual Meeting of Shareholders will be held at 10:00 a.m., Monday, March 5, 1973, in the ante-room of the Empress Ballroom, The Empress Hotel, Victoria, British Columbia.

## COVER

*Clouds of steam rise into the sub-zero atmosphere in this night photo of a gas processing plant near Calgary in which the Company has an interest.*

*Photography by A. Savich*

## HIGHLIGHTS

	1972	1971
<b>FINANCIAL</b>		
Revenue .....	<b>\$ 12,462,000</b>	\$ 11,659,000
Cash generated from operations .....	<b>\$ 8,729,000</b>	\$ 8,263,000
Per share .....	<b>\$ 2.69</b>	\$ 2.58
Net earnings, after provision for deferred income taxes .....	<b>\$ 4,501,000</b>	\$ 4,374,000
Per share .....	<b>\$ 1.39</b>	\$ 1.37
Dividend .....	<b>\$ 1,297,000</b>	\$ 1,281,000
Per share .....	<b>\$ .40</b>	\$ .40
Working capital .....	<b>\$ 1,677,000</b>	\$ (778,000)
Shares outstanding .....	<b>3,241,864</b>	3,201,664
<b>OPERATING</b>		
Oil and gas liquids production, net barrels .....	<b>3,481,000</b>	3,302,000
Daily average .....	<b>9,511</b>	9,047
Gas sales, net millions of cubic feet .....	<b>12,193</b>	10,211
Daily average .....	<b>33.3</b>	28.0
Sulphur sales, net long tons .....	<b>9,900</b>	10,500
Oil and gas liquids reserves, net barrels .....	<b>55,004,000</b>	58,173,000
Gas reserves, net millions of cubic feet .....	<b>416,000</b>	416,000
Sulphur reserves, net long tons .....	<b>278,000</b>	375,000
Oil and gas land holdings, net acres .....	<b>7,773,000</b>	8,268,000



The Company's revenue, cash generated and net earnings reached new highs for the sixth consecutive year. Production of oil, natural gas liquids and natural gas attained record levels.

### **Financial Gains Recorded**

Gross revenue totaled \$12,462,000, up \$803,000 or 7 percent. Increased gas production from the Minnehik-Buck Lake field, commencement of gas sales at the Harmattan-Elkton field and higher gas prices negotiated late in 1972 led to a substantial gain in natural gas revenue. Oil and gas liquid revenue was higher due to acquisition of producing properties in 1971 and general increases in crude oil prices.

The Company's strong cash flow continued. Cash generated from operations was \$8,729,000 or \$2.69 per share, an advance of 6 percent. Net earnings were \$4,501,000 or \$1.39 per share, up 3 percent.

### **New Financing Completed**

The Company has raised new capital for domestic and international oil and gas exploration and development through the issuance of \$30,000,000 of Convertible Subordinated Debentures. Two-thirds of the debentures were offered early in 1973 to the Canadian public through underwriters while the remaining one-third was purchased by a Canadian subsidiary of The Burmah Oil Company Limited, on the same terms as the public offering. The debentures bear interest at 5 percent per annum and are convertible into shares of the Company at \$44.00 per share.

### **Higher Gas Prices Negotiated**

Effective September 1, 1972, a wellhead price increase of 40 percent was negotiated for more than two-thirds of the gas being sold by Great Plains. The price increase averaged 7 1/2 cents per thousand cubic feet. Contract terms have also been amended to provide for an additional increase of 2 cents per thousand cubic feet on July 1, 1973, for further price renegotiation by July 1, 1974 and renegotiation every two years thereafter. Higher gas prices will add approximately \$650,000 to revenue in 1973.

### **Crude Oil Prices Increase**

In November 1972, the wellhead prices of crude oil and condensate increased 10 cents and 20 cents per barrel respectively. A subsequent price increase of 20 cents per barrel for crude oil and condensate was announced on January 10, 1973.

### **Harmattan Gas Sales Begin**

Gas sales began at Harmattan-Elkton during 1972 and are expected to begin at Harmattan East by mid-1973. Initial sales rates are expected to add \$660,000 to 1973 revenue at current contract prices. Sales from these fields have been prohibited for many years in order to maintain pressure and improve oil recovery in associated pools.

### **Government's Share to Increase**

The Alberta government has announced a plan to derive an additional \$70 million in revenue annually from the oil industry. Crude oil producers will have the option to elect prior to July 31, 1973, new royalty rates ranging from 5 percent to 25 percent on crude oil production, or to be subjected to a tax on crude oil reserves. The annual cost to Great Plains is difficult to determine as details of the plan have not been finalized, but is estimated to be approximately \$300,000.

### **International Exploration Commenced**

A new dimension was added to Great Plains' oil and gas exploration, with the commencement in late 1972 of an international program. The initial area of international operations is the United States, where leases have been acquired in Montana and drilling options obtained on prospects in Wyoming and Alaska.

### **Arctic Drilling in Progress**

A Panarctic option well is presently being drilled to 14,000 feet at Depot Point on the Company's Eureka South Block on Axel Heiberg Island. Panarctic also has options to commence drilling four additional wells on Company acreage by the end of 1973.

In 1972, Great Plains participated in the drilling of 60 exploratory wells, 15 of which were completed as small oil or gas wells.

### **Outlook Good for 1973**

An active oil and gas exploration program is planned by Great Plains in 1973. Minor exploration investment is anticipated for the Arctic where the Company has good acreage representation and drilling will be done at the cost of others. Activity will continue in other frontier areas of Canada and in portions of Western Canada. There will be exploration investment outside of Canada where suitable prospects and experienced partners are available.

Further increases in revenue and cash flow will occur in 1973. These funds together with a substantial gain in working capital from the \$30,000,000 financing provide a sound base for operations.

### **Industry Comment**

The purveyors of gloom are enjoying themselves immensely these days, with dire predictions about Canada running out of energy. This country, in fact, is one of the best-blessed in the world for supplies of natural resources. Given continuing opportunity to do the job, industry will find and develop much more.

There are federal policies and regulations requiring the needs of Canadians to be met before export is authorized. Even the dissident voices from Western Canada, which have been rather strong in recent months, would not argue such a fundamental point. There is no quarrel about Canadians first, only a claim that prices must be realistic.

For some reason, Canadians tend to think more about solving problems by negative restrictions than by positive actions. The latest negative thought to emerge is that a slow-down of exploration activity in Canada's north would husband our resources. If such a policy were enacted, it would forbid the construction

of a pipeline from the north. Without a pipeline, there is no hope of obtaining revenue from the exploration effort, and the search for oil and gas would cease. The resources would remain unfound, the technology and capital to develop them would not be used and the 60,000 people of Canada's north, many of whom want the opportunity for employment and like the idea of normal amenities such as a highway, would not be disturbed. Unfortunately, the resources in Canada's north cannot be found, developed and transported overnight. The surest way to promote a shortage is to discourage those who are exploring.

Another example of a negative approach are tax regulations which give residents of Halifax, Toronto, Regina, or elsewhere in the country, less incentive to invest in exploration in Canada than their counterparts in Chicago or Houston. We wonder why there is not higher domestic ownership of Canadian resources, but talk about slowing down foreign investment rather than encouraging risk-investment by Canadians.

Strong demand, and growing realism about oil and gas prices, offer promise of a good year for the industry.

### **Directors and Management**

At the Annual Shareholders' Meeting held in Quebec City in March, 1972 the retirement of Randal H. MacDonald, John F. Strain and H. Robert Tainsh was announced. Mr. MacDonald had served on the Board for 22 years and was one of the founding directors of the Company, while Messrs. Strain and Tainsh had been directors for 11 and 8 years respectively. The counsel of these gentlemen has been of great assistance to the Company.

At the Annual Meeting, Mr. James A. Lumsden, Chairman of The Burmah Oil Company Limited was elected to the Board.

Mr. Leo L. Samoil has been appointed Vice President, Exploration.

DAVID E. MITCHELL,  
President

Calgary, Alberta  
February 5, 1973

## EXPLORATION REVIEW

*The Depot Point well, currently drilling on Axel Heiberg Island, is framed by the last hours of twilight before the total darkness of an Arctic Winter Season.*

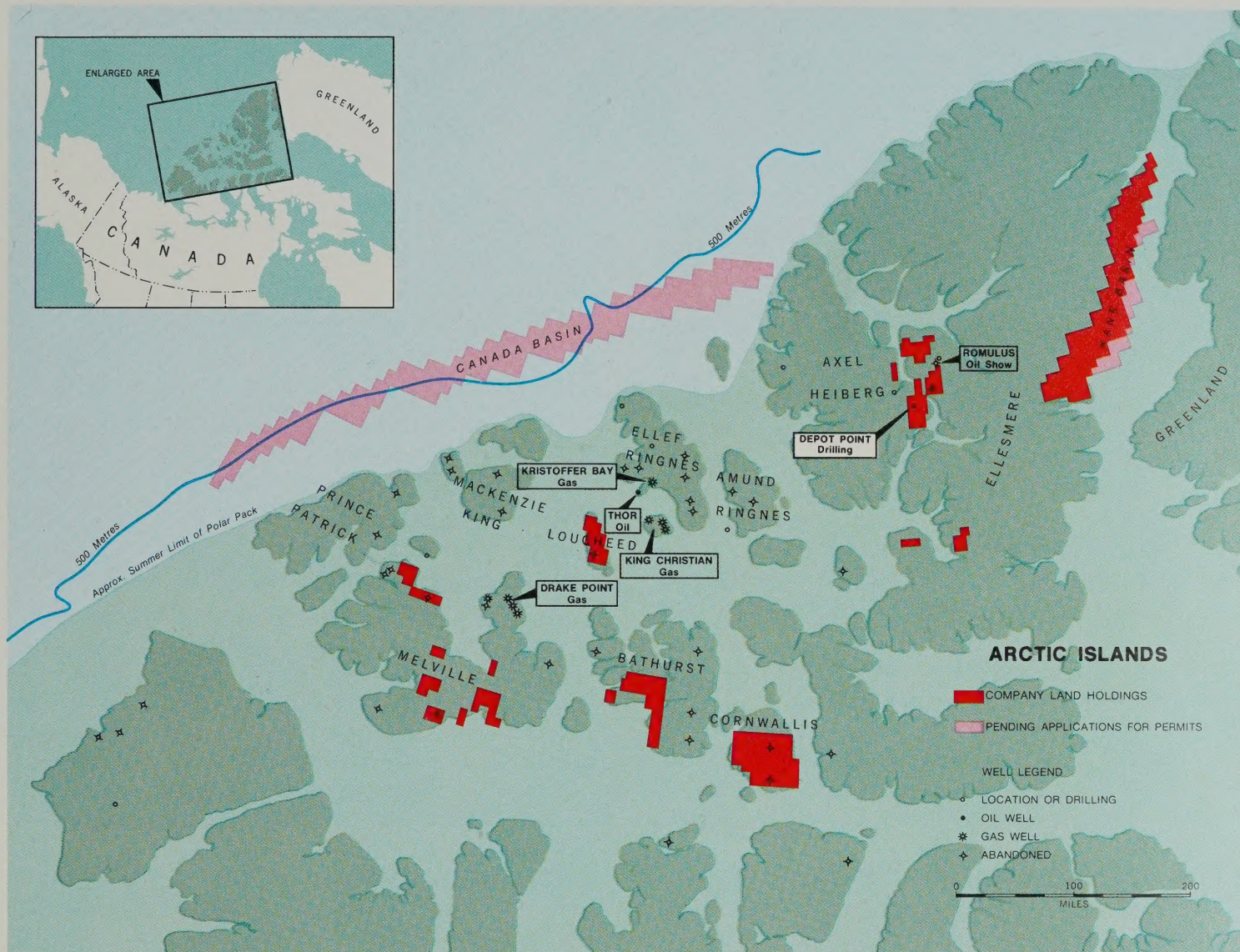


### PETROLEUM EXPLORATION

During 1972, Great Plains continued its active exploration program for oil and gas increasing its expenditures to \$4,082,000.

Approximately 70 percent or \$2,868,000 of the exploration expenditures were incurred in the Northern Oil Explorers Ltd. joint exploration venture with Barber Oil Corporation and Noranda Mines Limited. In August 1972, the original agreement between these three companies was restructured. Each party now has the right to elect to participate in joint exploration in Canada on an individual project basis. The Arctic Islands and other small areas are excluded from the agreement.

In areas of the United States designated from time to time the Company and Barber Oil each has the right to participate with the other in all exploration programs. The Company has a 40 percent interest in the Canadian portion of this joint exploration venture and a 50 percent interest in the United States portion. Acreage holdings, wells and all other data referred to in this report include Great Plains' share of this joint exploratory venture.



## Arctic Islands

Industry activity in the Arctic in 1972 reached a record level.

The Panarctic Romulus C-42 well, drilled 1 1/2 miles north of Great Plains' Eureka Central acreage was the first well in the Arctic to recover oil on a drillstem test. Panarctic Gemini E-70 is currently drilling 12 miles north of the Eureka Central block and eight miles east of Great Plains' Eureka North block. It is anticipated that additional wells will be drilled by the industry in the Eureka area in 1973.

At Depot Point on Axel Heiberg Island, a well is being drilled to 14,000 feet at no cost to the Company on lands which are under option to Panarctic. This well is testing one of the largest structures in the Arctic. Panarctic has the option to commence drilling four additional wells prior to the end of 1973 to earn interests in four other Company blocks.

During 1972, the Company conducted sur-

face geological exploration programs at its extensive holdings on Northeast Ellesmere Island. Applications have been filed for exploration permits covering 777,000 acres in the Kane Basin, adjacent to the Company's present onshore holdings of approximately 3,458,000 acres on the eastern edge of Ellesmere Island. Great Plains has also filed applications with the Canadian Federal Government for exploration permits covering a continuous block of 7,587,000 acres of offshore lands in the Canada Basin on the continental shelf of the Arctic Ocean. Because these applications are not yet approved, the lands are excluded from the Company's acreage tabulation.

## Mainland — Northern Canada

Accelerated exploration activity in the Mackenzie Delta region during 1972 has brought the gas reserves closer to the required threshold volume, and it is anticipated that an application will be made in 1973 for the construction of a gas pipeline in the Mackenzie Valley corridor. Great Plains has an interest and holds options on 1,083,000 gross acres in the Mackenzie Valley at Chick Lake near Norman Wells. A seismic program is planned for part of these lands in 1973. Drilling by others will occur on a permit immediately west of the Company's northernmost Chick Lake holdings.

In the Horton River area, east of the Mackenzie Delta, Great Plains is conducting a seismic program on a 1½ million acre block. Upon completion of this program, Great Plains will have the option to participate in the drilling of up to four wells on the block to earn a 20 percent interest in this acreage.

In the Old Crow area of the Yukon Territory, Great Plains has a 40 percent interest in 1,719,000 acres. Exploration activity has increased in the Northern Yukon and in 1973 there will be drilling by others on permits located to the southeast of the Company's Old Crow holdings.

## Western Canada

During 1972, Great Plains participated in 59 exploratory wells in Western Canada, of which 32 were drilled at no cost to the Company on lands farmed out to others. Fifteen of the wells were successful, 5 discovering oil and 10 discovering gas. The oil discoveries were at Shouldice, Barons, Three Hills, Bashaw and Killam in Southern Alberta. A subsequent well at Shouldice was dry and abandoned. Two of the gas discoveries were located in the Woodpile area of Southwestern Saskatchewan and one in the Beatton River area in British Columbia. The other gas wells were located in Alberta of which two were in the North Jenner area, two in the Hotchkiss area and one each in the Reno, Bardo and Fox Creek areas. Although further evaluation is likely in some areas, all appear to be minor discoveries.

Seismic work is being conducted on the

Company's lands at Carway in the Foothills area of Southern Alberta. Other areas in the Foothills region of the Rocky Mountains are being actively explored for suitable drilling prospects.

## Eastern Canada

Great Plains drilled two wells in the Gaspé area of Quebec, both of which were dry and abandoned. This area is attractive economically because of its proximity to the markets of Eastern Canada.

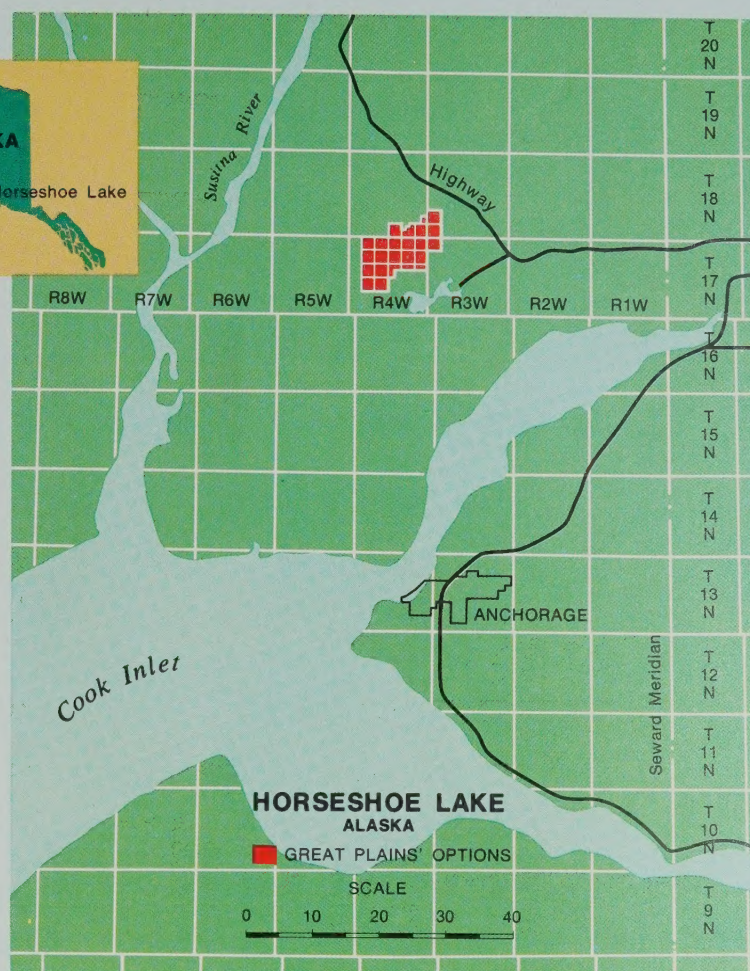
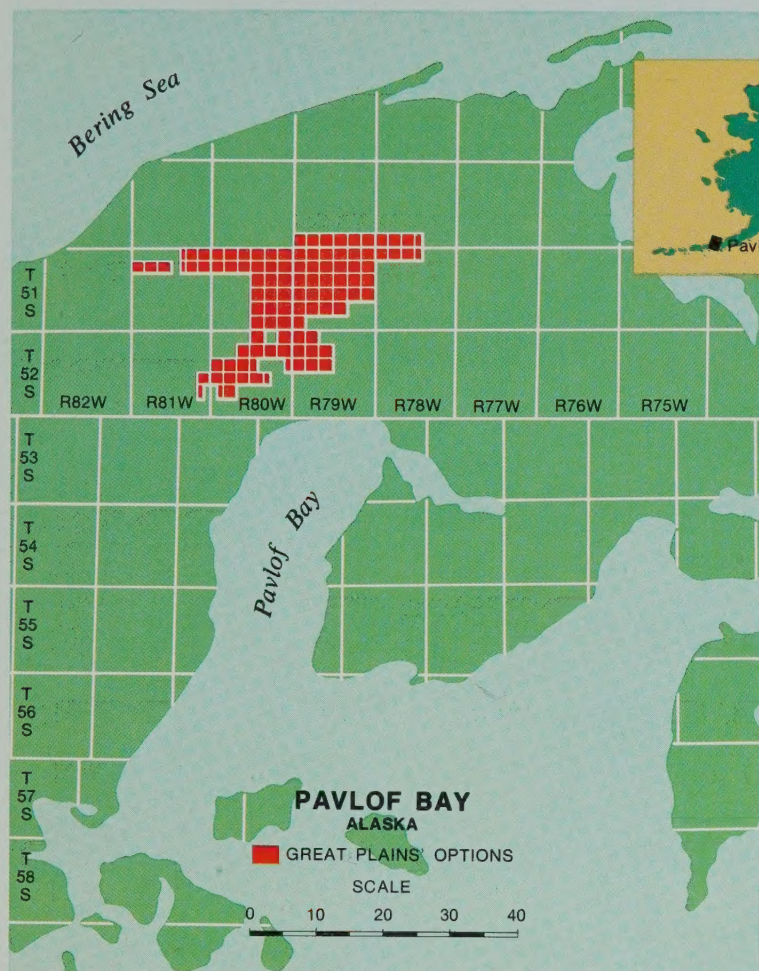
## United States

Great Plains' exploration activities included a number of areas within the United States. Two prospects have been taken under option in Alaska. At Horseshoe Lake, north of Anchorage in the Cook Inlet area, seismic work has been completed and is being evaluated. If Great Plains exercises a drilling option, it will earn a 30 percent interest in these lands. At Pavlof Bay on the Alaska Peninsula, Great Plains has acquired an option on 64,000 acres of lease. The Company has 18 months in which to evaluate these lands with the option to purchase them outright.

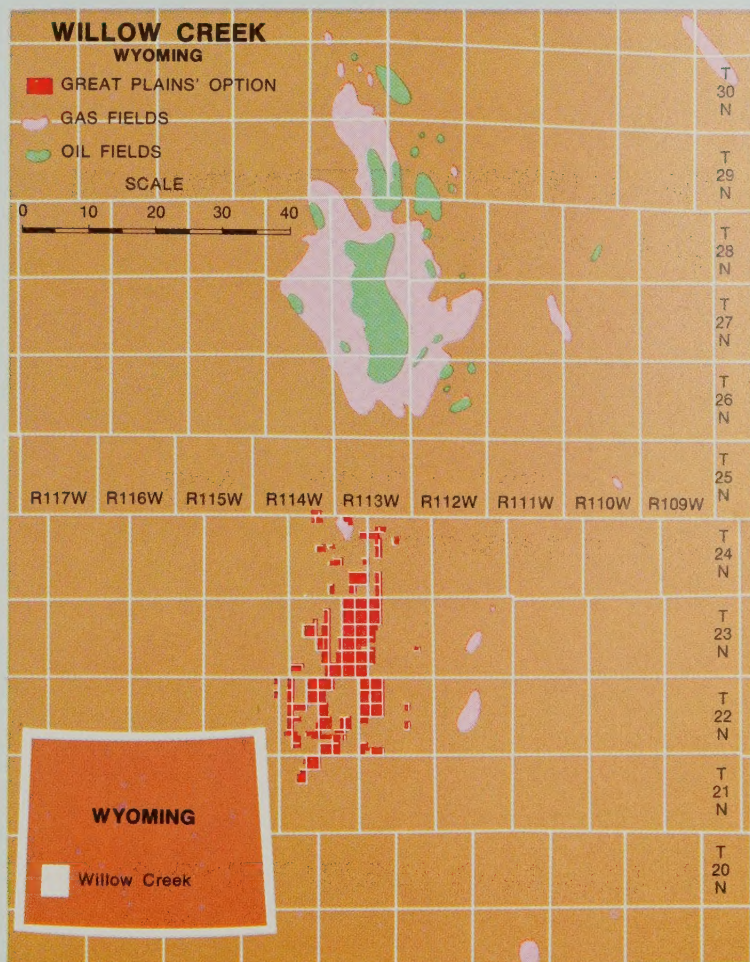
In Wyoming, Great Plains is participating in seismic work in the Willow Creek area of the Green River Basin. The Company has the option to purchase a 12½ percent interest in 31,000 acres and to join in the drilling of a 15,000 foot well to test the Nugget Sandstone.

## WELLS DRILLED

	1972		1971	
	Gross	Net	Gross	Net
Exploratory				
Oil .....	5	1.6	1	.1
Gas .....	10	1.6	11	2.7
Dry .....	44	9.0	50	9.4
Suspended .....	1	.4	—	—
Total .....	60	12.6	62	12.2
Average Depth .....	5,500 feet		5,700 feet	
Development				
Oil .....	12	1.2	16	1.7
Gas .....	4	1.2	6	4.2
Dry .....	15	3.1	2	.3
Total .....	31	5.5	24	6.2
Average Depth .....	4,300 feet		5,000 feet	



Seismic work on Company lands near Babb, Montana.



## OIL & GAS LAND HOLDINGS — December 31

	1972		1971	
	Gross Acres	Net Acres	Gross Acres	Net Acres
<b>Petroleum &amp; Natural Gas Leases</b>				
Alberta .....	1,593,000	542,000	1,500,000	539,000
British Columbia .....	45,000	17,000	60,000	18,000
Saskatchewan .....	133,000	43,000	146,000	49,000
Manitoba .....	1,000	1,000	1,000	1,000
Yukon & Northwest Territories .....	92,000	43,000	122,000	55,000
U.S.A. - Montana .....	91,000	20,000	—	—
<b>Reservations, Permits &amp; Licenses (1)</b>				
Alberta .....	572,000	184,000	678,000	209,000
British Columbia .....	484,000	110,000	449,000	97,000
Saskatchewan .....	325,000	83,000	405,000	119,000
Quebec .....	3,933,000	758,000	3,683,000	737,000
Yukon & Northwest Territories .....	2,400,000	1,091,000	3,304,000	1,384,000
Arctic Islands (2) .....	7,695,000	4,881,000	7,695,000	4,863,000
Offshore, East Coast .....	—	—	656,000	197,000
<b>Option Rights</b>				
Northwest Territories .....	2,132,000	—	—	—
British Columbia .....	16,000	—	250,000	—
U.S.A. - Alaska .....	78,000	—	—	—
- Wyoming .....	31,000	—	—	—
<b>Royalty Interests</b>				
Arctic Islands .....	211,000	—	211,000	—
Other Areas .....	403,000	—	521,000	—
<b>TOTAL .....</b>	<b>20,235,000</b>	<b>7,773,000</b>	<b>19,681,000</b>	<b>8,268,000</b>

(1) Leases may be selected on approximately 50 percent of this acreage.

(2) Excluded are 7,587,000 acres of offshore lands in the Canada Basin and 777,000 acres in the Kane Basin for which Great Plains has filed applications with the Government of Canada.

## MINERAL EXPLORATION

The Company expended \$707,000 for minerals exploration in 1972. The main areas of operation were Northern Ontario, British Columbia and the Northwest Territories. In the latter part of the year, Great Plains acquired its initial holdings in the Province of Quebec in the Noranda area. A more extensive program is planned for this area and others in Quebec in 1973.

In British Columbia, emphasis was placed on the search for copper deposits. Most of the work was concentrated in the Stikine area where geochemical exploration of existing claim blocks has outlined a zone that warrants drilling in 1973. In Southern British Columbia 189 claims have been acquired in the Princeton area and a preliminary evaluation program has been completed on these holdings.

In Northwestern Ontario 4,391 line miles of airborne electromagnetic input surveys and magnetometer surveys were flown in the search for deposits containing copper, zinc and silver. These surveys have resulted in additional ground work and the staking of 245 claims. Several of these areas have been selected for drilling in 1973.

Field crews were active in the Yellowknife area of the Northwest Territories, conducting ground geophysics, geology and diamond drilling. Work will continue in this area in 1973.

The Company retains a small carried interest in certain joint ventures in the Yukon Territory and New Brunswick.



*Post marks a mining claim held in the Stikine area of northern British Columbia.*

*Geologists examine mineralization in outcrop.*

*Soil samples for geochemical analysis are taken by local native employee.*

*Diamond drilling evaluates geochemical and geophysical anomalies located by field parties.*



## Mineral Land Holdings

December 31, 1972

	Gross Acres	Net Acres
British Columbia . . . . .	23,900	20,500
Ontario . . . . .	25,900	24,900
Northwest Territories . . . . .	28,100	20,900
Saskatchewan . . . . .	9,500	9,100
Quebec . . . . .	8,600	8,600
	<u>96,000</u>	<u>84,000</u>

## PRODUCTION REVIEW

*Plant expansion at Harmattan will permit increased production and new gas sales.*



### **Crude Oil and Natural Gas Liquids**

Great Plains' net crude oil and gas liquids production increased for the fifth consecutive year, to 9,511 barrels per day. The increase of 464 barrels over the previous year is primarily a result of the purchase of the Drumheller and Jenner properties in late 1971, and additional production of condensate and gas liquids. While most crude oil properties are producing at or near maximum capacity, secondary recovery projects at Harmattan and Pembina should increase production capabilities in those areas.

An acquisition effective January 1, 1973 increased Great Plains' share in the Hamilton

Lake producing area from 25 to 50 percent. This purchase, for \$1,410,000, will add 250 barrels per day to 1973 production.

In June of 1972 the Company disposed of its 50 percent working interest in an Alberta Bituminous Sands Lease in the Athabasca Tar Sands for a cash payment of \$1,450,000, reserving a 4 percent net profits interest. In addition, Great Plains has the option to take a small working interest in any secondary processing facility.

### **Natural Gas and Sulphur**

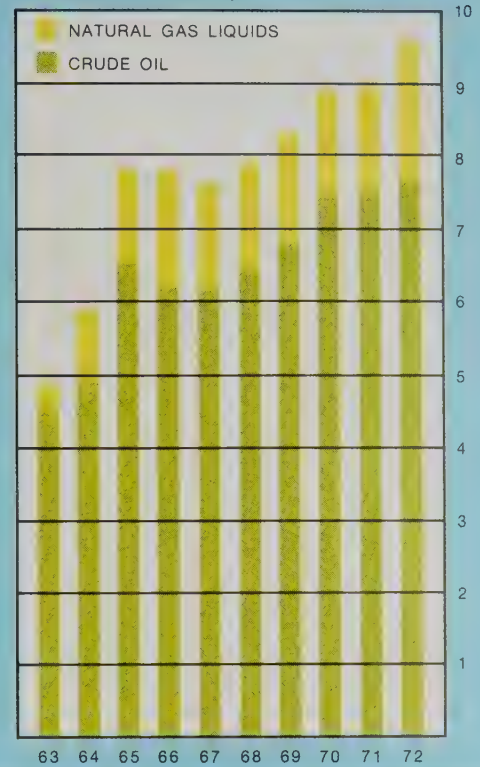
Natural gas sales increased for the eleventh consecutive year, averaging 33.3 million cubic



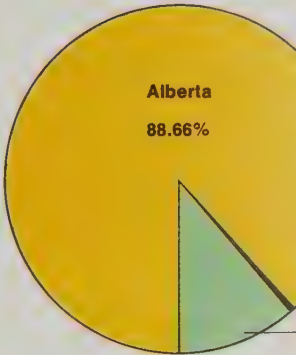
Installation of satellite line to Pembina main battery.

## CRUDE OIL AND NATURAL GAS LIQUIDS PRODUCTION

Thousands of Barrels/Day



## 1972 NET PRODUCTION

				REVENUE		
	Crude Oil (Barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)	Amount	Percent of Total	Production Revenue By Province
<b>ALBERTA</b>						
Bigoray.....	174,000	—	474	\$ 574,000	5	
Calgary-Crossfield ...	—	68,000	1,866	632,000	5	
Hamilton Lake .....	91,000	—	—	233,000	2	
Harmattan .....	171,000	450,000	203*	1,684,000	14	
Minnehik-Buck Lake .	—	105,000	6,211	1,683,000	14	
Mitsue.....	71,000	3,000	28	222,000	2	
Pembina.....	1,242,000	23,000	507	3,724,000	31	
Turner Valley .....	75,000	4,000	178	237,000	2	
Other Areas .....	445,000	29,000	2,586	1,748,000	14	
<b>SASKATCHEWAN</b>						
Butte .....	127,000			289,000	2	Saskatchewan 11.21%—
Steelman .....	106,000			310,000	3	British Columbia .13%—
Weyburn.....	83,000			213,000	2	
Other Areas .....	114,000			304,000	2	
Royalty Interests .....	100,000			242,000	2	
<b>BRITISH COLUMBIA</b>						
Kobes .....	—	—	140	17,000	—	
	<u>2,799,000</u>	<u>682,000</u>	<u>12,193</u>	<u>\$12,112,000</u>	<u>100</u>	

\* Some gas is being reinjected after the extraction of liquids.

feet per day, up 5.3 million cubic feet or 19 percent from the previous year. Most of this increase is attributed to the first year of continuous production of expanded plant facilities at Minnehik-Buck Lake, although the plant is not yet producing at full design capacity.

Gas sales from the Harmattan-Elkton field commenced November 6, 1972. The rate approved by the Alberta Energy Resources Conservation Board is 40 million cubic feet per day effective January 1, 1972. Since start-up, the field has been producing 100 million cubic feet per day for peak shaving requirements and to make up the gas sales of the first 10 months in 1972. Great Plains' share of the gas sales is 7.6 percent.

Natural gas sales also commenced from new wells at Crossfield and Bigoray.

Gas production is expected to increase in 1973. In addition to a full year's production from the Harmattan-Elkton field, gas sales have been approved by the Alberta Energy Resources Conservation Board for the Harmattan-East field effective March 1, 1973. Actual gas production is expected to commence by mid-1973 at a rate of 60 million cubic feet per day. Great Plains' share of the gas sales will be 14.6 percent.

The gas sales from both Harmattan fields will add approximately \$1,000,000 annually to Great Plains' revenue at current gas prices. Terms of the contracts covering gas sales from these fields are presently being discussed with the gas purchaser. The ultimate anticipated rate of production for each field is 120 million cubic feet per day.

Great Plains has an 89 percent working interest in a successful gas well drilled in December one mile west of an existing gas well at Minnehik. This well extends the previous limits of the pool and increases the reserves of the area. Further testing and evaluation will be done in 1973.

Sulphur production totaled 15,000 long tons in 1972 and sales amounted to 9,900 long tons. Revenue from sulphur sales continues very low due to an oversupply in the world markets.

## **Prices of Crude Oil and Natural Gas**

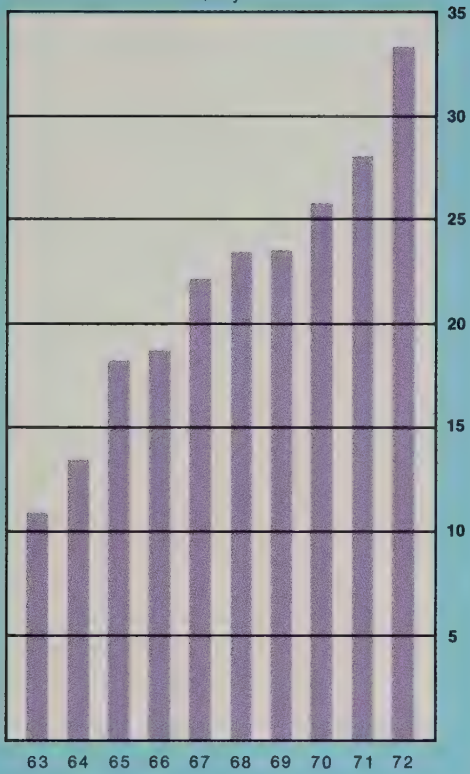
In early November, 1972, the wellhead prices of crude oil and condensate increased by 10 cents and 20 cents per barrel respectively. The average per barrel price received by Great Plains in 1972 was \$2.69. A subsequent price increase of 20 cents per barrel for crude oil and condensate occurred on January 10, 1973.

Contracts covering 65 percent of Great Plains' 1972 gas production were due for price renegotiation by July 1, 1973 and every five years thereafter. Great Plains and the gas purchaser agreed to an earlier effective date, September 1, 1972, for settlement of these negotiations at Minnehik, Bigoray and Crossfield at prices which will add approximately \$600,000 annually to revenue. This settlement increased the average price of gas sold in 1972 to 22 cents per thousand cubic feet, up from 18.8 cents in 1971. Contract terms have also been amended to provide for price renegotiation by July 1, 1974 and every two years thereafter. With the new contracts, Great Plains is receiving additional revenue of 7 cents to 8 cents per thousand cubic feet. An additional price increase of 2 cents per thousand cubic feet will occur on July 1, 1973.

Gas prices in several other contracts involving smaller volumes have also been renegotiated. These will add an additional \$50,000 of revenue per year.

# **NATURAL GAS SALES**

Millions of Cubic Feet/Day



*Color coding is used extensively in the modern gas processing plant.*

*Strength and teamwork are essential on the derrick floor. One of many units pumping oil from the Cardium Sand at Pembina.*







## RESERVES

The Company's reserves of crude oil, natural gas and sulphur were estimated by an independent petroleum consultant as of October 31, 1972, and have been adjusted for production and development operations during the last two months of the year. The reserves do not indicate any changes as a result of the Alberta Government natural resource revenue plan. Great Plains will wait until further details are made available before choosing whether to pay a higher royalty on production or pay the tax on crude oil reserves.

Great Plains has a large reserve of heavy oil in the Cold Lake area of Central Alberta. An experimental project conducted on the properties demonstrated the ability to produce this heavy oil but such operations are uneconomical at existing crude oil prices.

Life of the Company's proved and probable reserves at current rates of production is 16 years for crude oil, 15 years for condensate and natural gas liquids and 34 years for natural gas.

Great Plains' net reserves, after deducting all royalties and working interests of others, are shown in the accompanying table. Heavy oil reserves at Cold Lake and in the Athabasca Tar Sands are not included in these figures.

## PERSONNEL

Great Plains and Northern Oil Explorers Limited have a combined staff of 129 persons, with 32 persons employed in exploration, 45 engaged in production and development (of which 26 are located in the field), and 52 employed in accounting, computer, administrative and other functions. An additional 73 people were employed on a seasonal basis, primarily for field mineral exploration. This past summer the employment of 26 native people was of assistance in conducting the Company's field programs.

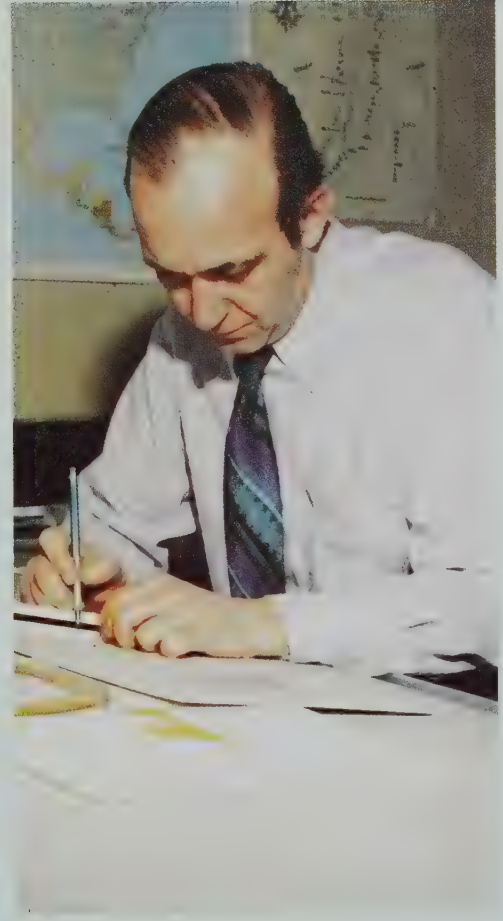
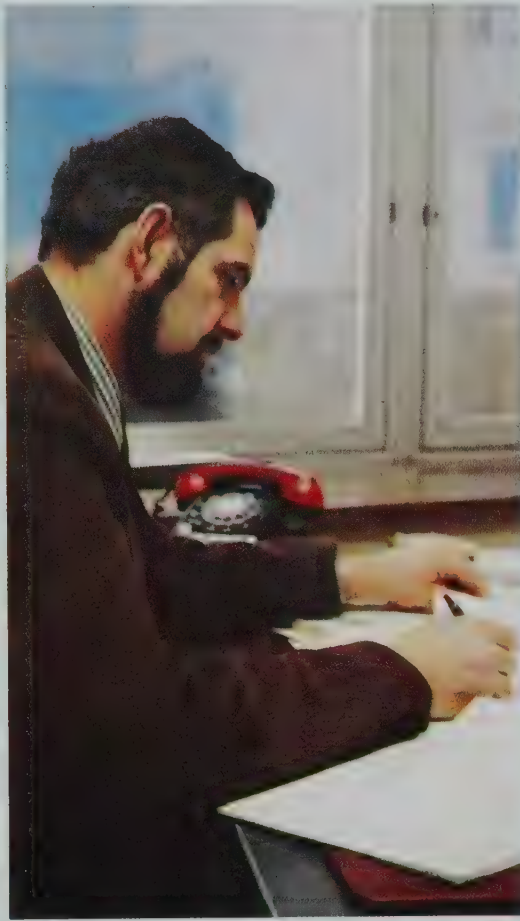
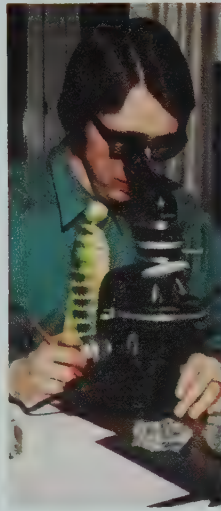
Ninety-two employees are now shareholders through participation in a Savings Plan which makes regular purchases of Company stock.

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### NET RESERVES — After Royalties, excluding Cold Lake and Athabasca December 31, 1972

	Crude Oil (Barrels)	Condensate (Barrels)	Other Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)	Sulphur (Long Tons)
Proved .....	34,141,000	6,492,000	4,230,000	388,000	278,000
Probable .....	10,049,000	92,000	—	28,000	—
	<u>44,190,000</u>	<u>6,584,000</u>	<u>4,230,000</u>	<u>416,000</u>	<u>278,000</u>

Essentially all of the above reserves are developed by present wells.



## FINANCIAL REVIEW

### Revenue

Great Plains' revenue for 1972 increased to \$12,462,000, a 7 percent improvement over the \$11,659,000 attained in 1971. This gain resulted from increased crude oil, natural gas and natural gas liquids production and increased prices for these products, particularly gas during the latter part of the year.

### Cash Generated

Cash generated from operations amounted to \$8,729,000 or \$2.69 per share as compared with \$8,263,000 in 1971. This 6 percent increase was due to the above mentioned revenue increases, partially offset by higher operating expenses associated with the increased production.

### Net Earnings and Dividends

The Company's net earnings in 1972 after provision for deferred income taxes amounted to \$4,501,000 or \$1.39 per share. This is an increase of \$127,000 or 3 percent over the net earnings of 1971.

A dividend of 40 cents per share was declared payable January 5, 1973 to shareholders of record on December 5, 1972.

### Capital Expenditures

Capital expenditures in 1972 totaled \$6,839,000, a significant decrease from the \$12,157,000 expended in 1971. Exploration expenditures in the current year amounted to \$4,789,000, a nominal increase over the \$4,550,000 incurred in 1971. Development expenditures, on the other hand, were materially lower, totaling \$2,050,000 primarily because no major proven properties were acquired in 1972 as occurred in 1971. Subsequent to the 1972 year-end, the Company purchased an additional 25 percent interest in proven properties in the Hamilton Lake area for \$1,410,000.

### Interest-free Loans

In 1969 and 1970 the Company obtained interest-free loans totalling \$3,360,000 as

partial consideration for entering into contracts for the future sale of its gas reserves in the Harmattan field. These loans are repayable out of a portion of the proceeds to be received upon delivery of such gas. Gas sales from Harmattan-Elkton began November 6, 1972 thus initiating commencement of repayment of one of these loans.

The Company had previously been granted the temporary use of funds of an affiliated company on an interest-free basis repayable on short-term notice. These loans, which at December 31, 1971 amounted to \$5,495,000, were repaid in April, 1972. This repayment was the primary cause of the Company's reduced investment revenue for 1972.

### New Financing

Early in 1973 the Company issued \$30 million principal amount of 5 percent Convertible Subordinated Debentures due February 1, 1993. These Debentures are unsecured and are subordinate to any present or future senior indebtedness of the Company. The Debentures are convertible into shares of the Company at a price of \$44 per share and 681,817 shares of the authorized capital have been reserved for this purpose. The Debentures are redeemable through the operation of a sinking fund commencing February 1, 1983. The Company has the right to call the issue in whole or in part at any time after February 1, 1978 and may do so earlier if the weighted average price at which the shares traded for a specified period was at least 133 $\frac{1}{3}$  percent (reducing to 120 percent on February 1, 1975) of the conversion price. As a result of this financing the Company's working capital position is now significantly higher than reported in the accompanying financial statements.

**CONSOLIDATED STATEMENT OF EARNINGS**

	Year ended December 31,	
	1972	1971
<b>REVENUE</b>		
Production .....	<b>\$12,112,000</b>	\$11,046,000
Interest, dividends and other .....	<b>350,000</b>	613,000
	<b>12,462,000</b>	11,659,000
<b>EXPENSE</b>		
Operating .....	<b>3,338,000</b>	3,034,000
General and administrative .....	<b>391,000</b>	359,000
Interest .....	<b>4,000</b>	3,000
	<b>3,733,000</b>	3,396,000
<b>CASH GENERATED FROM OPERATIONS .....</b>	<b>8,729,000</b>	8,263,000
Provision for depletion .....	<b>2,773,000</b>	2,520,000
Provision for depreciation .....	<b>661,000</b>	597,000
	<b>3,434,000</b>	3,117,000
<b>NET EARNINGS BEFORE PROVISION FOR</b>		
DEFERRED INCOME TAXES .....	<b>5,295,000</b>	5,146,000
Provision for deferred income taxes (Note 3) .....	<b>794,000</b>	772,000
<b>NET EARNINGS .....</b>	<b>\$ 4,501,000</b>	\$ 4,374,000
Net earnings per share .....	<b>\$ 1.39</b>	\$ 1.37

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

	Year ended December 31,	
	1972	1971
<b>BALANCE at beginning of year .....</b>	<b>\$27,342,000</b>	\$24,249,000
Net earnings .....	<b>4,501,000</b>	4,374,000
	<b>31,843,000</b>	28,623,000
Dividend declared .....	<b>1,297,000</b>	1,281,000
<b>BALANCE at end of year .....</b>	<b>\$30,546,000</b>	\$27,342,000

**CONSOLIDATED BALANCE SHEET****ASSETS**

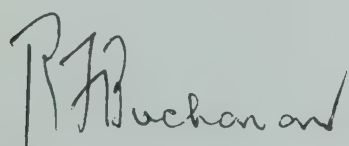
	<b>December 31,</b>	
	<b>1972</b>	<b>1971</b>
<b>CURRENT ASSETS</b>		
Cash .....	<b>\$ 199,000</b>	<b>\$ 97,000</b>
Short-term investments, at cost, which approximates market .....	<b>3,020,000</b>	<b>7,766,000</b>
Accounts receivable .....	<b>3,286,000</b>	<b>3,342,000</b>
Inventories — at lower of cost or realizable value .....	<b>164,000</b>	<b>140,000</b>
	<b><u>6,669,000</u></b>	<b><u>11,345,000</u></b>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 1)</b>		
Petroleum, natural gas and mineral properties including exploration and development thereof .....	<b>80,660,000</b>	<b>77,641,000</b>
Plant, production and other equipment .....	<b>18,241,000</b>	<b>16,016,000</b>
	<b><u>98,901,000</u></b>	<b><u>93,657,000</u></b>
Less: Accumulated depletion and depreciation (Note 4) .....	<b>31,397,000</b>	<b>28,091,000</b>
	<b><u>67,504,000</u></b>	<b><u>65,566,000</u></b>
<b>OTHER ASSETS</b>		
Prepaid expenses and sundry deposits .....	<b>426,000</b>	<b>249,000</b>
Investment in pipeline companies, at cost .....	<b>11,000</b>	<b>11,000</b>
	<b><u>437,000</u></b>	<b><u>260,000</u></b>
	<b><u><u>\$74,610,000</u></u></b>	<b><u><u>\$77,171,000</u></u></b>

## LIABILITIES

	December 31,	
	1972	1971
CURRENT LIABILITIES		
Accounts payable and accrued charges .....	\$ 3,695,000	\$ 5,347,000
Dividend payable .....	1,297,000	1,281,000
Due to affiliated company.....	—	5,495,000
	<u>4,992,000</u>	<u>12,123,000</u>
INTEREST-FREE LOANS FROM GAS PURCHASER.....	<u>3,328,000</u>	<u>3,360,000</u>
DEFERRED INCOME TAXES (Note 3) .....	<u>7,313,000</u>	<u>6,519,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 2)		
Authorized		
6,000,000 shares of \$1 par value		
Issued		
3,241,864 shares (1971 - 3,201,664) .....	3,242,000	3,202,000
CONTRIBUTED SURPLUS (Note 2) .....	25,189,000	24,625,000
RETAINED EARNINGS .....	30,546,000	27,342,000
	<u>58,977,000</u>	<u>55,169,000</u>
	<u><u>\$74,610,000</u></u>	<u><u>\$77,171,000</u></u>

On behalf of the Board:

 Director

 Director

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS**

	Year ended December 31,	
	1972	1971
FUNDS WERE OBTAINED FROM:		
Revenue .....	<b>\$12,462,000</b>	\$11,659,000
Less: Operating, general and administrative and interest expenses .....	<b>3,733,000</b>	3,396,000
Cash generated from operations .....	<b>8,729,000</b>	8,263,000
Issuance of capital stock .....	<b>604,000</b>	47,000
Sale of property interests .....	<b>1,467,000</b>	119,000
	<b>10,800,000</b>	8,429,000
FUNDS WERE USED FOR:		
Exploration .....	<b>4,789,000</b>	4,550,000
Development .....	<b>2,050,000</b>	7,607,000
Reduction of loans from gas purchaser .....	<b>32,000</b>	—
Dividend declared .....	<b>1,297,000</b>	1,281,000
Miscellaneous .....	<b>177,000</b>	29,000
	<b>8,345,000</b>	13,467,000
INCREASE (DECREASE) IN WORKING CAPITAL .....	<b>\$ 2,455,000</b>	(\$ 5,038,000)

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Great Plains Development Company of Canada, Ltd. and subsidiaries as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
January 26, 1973

(Signed) RIDDELL, STEAD & CO.  
Chartered Accountants.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Accounting Policies

The consolidated financial statements include the accounts of Great Plains Development Company of Canada, Ltd. and its subsidiary Companies, all of which are wholly owned. The excess of the consideration paid for the shares of purchased subsidiaries over their net book values at the dates of acquisition is included in property, plant and equipment in the consolidated balance sheet, and additional depletion provided accordingly.

The Companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil, gas and related reserves and other minerals are capitalized. Such costs include acquisition costs, geological and geophysical expense, carrying charges of non-producing properties, costs of drilling both productive and unproductive wells, production equipment and gas facilities, mineral exploration costs, and all technical and administrative overhead directly associated with these functions. Proceeds received from disposal of properties are credited against such costs. These net costs are amortized on the composite unit of production method based on total estimated proved developed reserves.

### 2. Capital Stock

At December 31, 1972, 40,000 shares of capital stock were reserved for issuance under an Incentive Share Option Plan, pursuant to which options have been granted to employees, including officers, to purchase 28,000 shares at prices ranging from \$14.40 to \$29.70 per share. These options are exercisable cumulatively in four equal instalments commencing one year after date of option and will expire on or before March 28, 1977. During 1972, 40,200 shares were issued for a consideration of \$603,745, of which \$40,200 has been credited to capital stock, and the balance of \$563,545 to contributed surplus.

### 3. Income Taxes

Under Canadian income tax law, exploration and development expenditures, including costs of oil and gas rights, may be deducted from income and any excess may be carried forward to subsequent years. In addition, capital cost allowances which are in excess of the depreciation recorded in the accounts may be claimed. As a result of claiming the maximum amounts allowed, no income taxes have been paid by any of the Companies to date, and as at December 31, 1972, the Companies have unused deductions of \$330,000 of exploration and development costs, and \$4,875,000 of capital cost allowance available to apply against future taxable income.

In determining reported net earnings, the Companies provide for deferred income taxes. Although the utili-

zation of maximum available tax credits eliminates any current income tax liability, it will result in the payment of higher taxes in the future when recorded charges exceed those available for tax purposes. Directly influencing the timing and extent of this future liability, however, are additional deductions available from continuing exploration and development investment which initially result in further deferment of any tax liability and thereafter materially reduce the annual amount of taxes actually payable. For these reasons deferred taxes have been provided for at rates less than those in effect under present taxation legislation, but which, it is estimated, should adequately provide for all income taxes payable by the Companies for the period from inception into the foreseeable future. Such amounts are credited to "Deferred Income Taxes" and will be taken into earnings of future years as and when income taxes payable are in excess of then current provisions. If the Companies had provided for deferred taxes on the basis of full tax rates for all timing differences between taxable income and reported earnings, such provisions would have been increased by approximately \$1,100,000 (\$1,080,000 in 1971) and cumulative deferred income taxes would have been approximately \$10,900,000 greater.

### 4. Statutory Information

(a) During 1972 the Company and its subsidiaries paid remuneration of \$20,367 to the Company's ten Directors in their capacity as Directors and remuneration of \$158,375 to the Company's five Officers in their capacity as Officers. Two of the Officers are also Directors of the Company.

(b) Accumulated depletion and depreciation as at December 31, 1972 is as follows:

Depletion of petroleum and natural gas properties .....	\$26,871,000
Depreciation of plant, production and other equipment .....	4,526,000
	<u>\$31,397,000</u>

### 5. Subsequent Transaction

On January 15, 1973 the Company agreed to issue \$30,000,000 principal amount of 5% Convertible Subordinated Debentures due February 1, 1993 for an aggregate consideration of \$29,580,000. \$20,000,000 principal amount will be sold to the Company's underwriters for \$19,580,000 plus accrued interest from February 1, 1973 and the remaining \$10,000,000 principal amount of the Debentures will be sold to Burmah Oil Canada Limited at par plus accrued interest from February 1, 1973. These Debentures are convertible into shares of the Company at a price of \$44 per share and 681,817 shares have been reserved for issuance upon the exercise of this conversion privilege. The proceeds of these issues will be added to the working capital of the Company.

## TEN-YEAR FINANCIAL SUMMARY

	1972	1971	1970	1969
<b>Gross Revenue</b> — thousands				
Crude oil .....	\$ 7,660	7,460	6,769	6,079
Natural gas liquids .....	\$ 1,713	1,456	1,260	1,269
Natural gas .....	\$ 2,678	2,040	1,737	1,540
Sulphur .....	\$ 61	90	121	298
Interest, dividends and other .....	\$ 350	613	835	247
Gross revenue .....	<u>\$ 12,462</u>	<u>11,659</u>	<u>10,722</u>	<u>9,433</u>
<b>Cash Generated and Earnings</b>				
Cash generated from operations — thousands .....	\$ 8,729	8,263	7,675	6,584
Per share .....	\$ 2.69	2.58	2.40	2.06
Net earnings before deferred income taxes — thousands .....	\$ 5,295	5,146	4,970	4,278
Per share .....	\$ 1.63	1.61	1.55	1.34
Net earnings after deferred income taxes — thousands .....	\$ 4,501	4,374	4,225	3,636
Per share .....	\$ 1.39	1.37	1.32	1.14
<b>Dividends and Stock</b>				
Dividends paid — thousands .....	\$ 1,297	1,281	1,279	1,278
Per share .....	40c	40	40	40
Shares outstanding at year end .....	3,241,864	3,201,664	3,197,914	3,195,614
Number of shareholders .....	1,711	1,840	2,018	1,972
Market price range per share .....	\$ 36-29	37-29	33-16	40-21
<b>Assets, Liabilities and Shareholders' Equity</b> — thousands				
Working capital .....	\$ 1,677	(778)	4,260	6,974
Net property, plant and equipment .....	\$ 67,504	65,566	56,645	50,251
Other assets .....	\$ 437	260	231	249
Total net assets .....	\$ 69,618	65,048	61,136	57,474
Long-term debt .....	\$ —	—	—	2,909
Interest-free loans from gas purchaser .....	\$ 3,328	3,360	3,360	512
Deferred income taxes .....	\$ 7,313	6,519	5,747	5,002
Shareholders' Equity .....	<u>\$ 58,977</u>	<u>55,169</u>	<u>52,029</u>	<u>49,051</u>
Shareholders' equity per share .....	<u>\$ 18.19</u>	<u>17.23</u>	<u>16.27</u>	<u>15.35</u>
<b>Capital Expenditures</b> — thousands				
Oil and gas exploration .....	\$ 4,082	3,752	4,504	4,388
Mining exploration .....	\$ 707	798	842	584
Development .....	\$ 2,050	7,607	3,783	2,671
Company acquisitions for cash .....	\$ —	—	—	—
Total capital expenditures .....	<u>\$ 6,839</u>	<u>12,157</u>	<u>9,129</u>	<u>7,643</u>

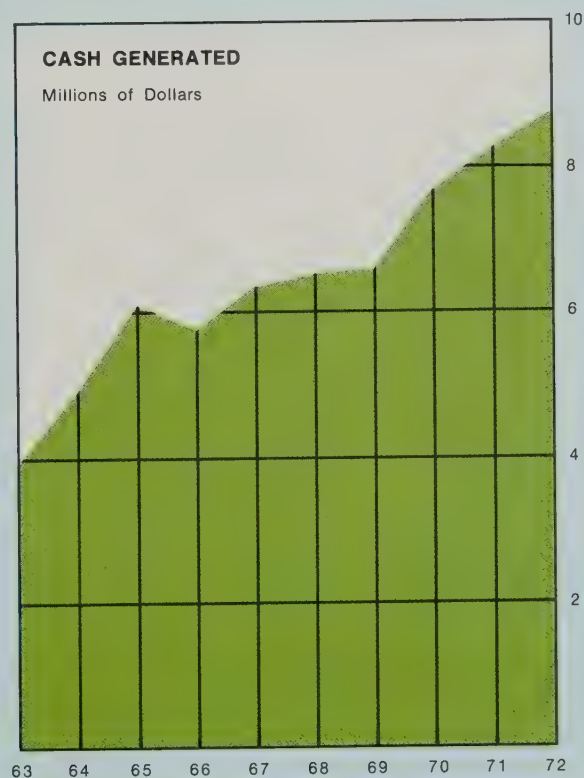
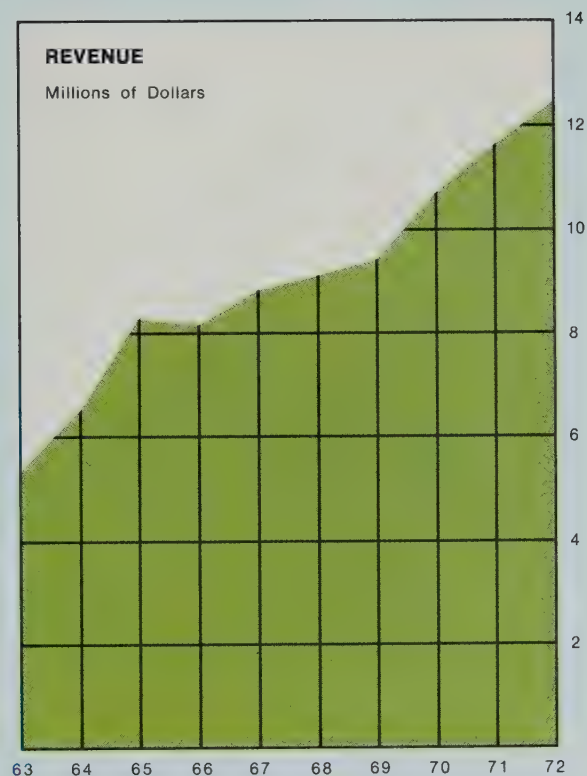
1968	1967	1966	1965	1964	1963
5,602	5,404	5,478	5,694	4,367	3,913
1,490	1,515	1,337	1,294	977	484
1,550	1,488	1,213	1,161	869	724
429	413	123	114	6	—
31	32	14	48	308	290
<u>9,102</u>	<u>8,852</u>	<u>8,165</u>	<u>8,311</u>	<u>6,527</u>	<u>5,411</u>

6,522	6,380	5,783	6,098	4,918	3,947
2.04	2.00	1.83	1.93	1.63	1.32
3,891	3,852	3,307	3,526	3,141	2,678
1.21	1.21	1.05	1.12	1.04	0.89
3,307	3,274	2,811	2,997	2,670	2,276
1.04	1.02	0.89	0.95	0.88	0.76

1,278	1,278	1,103	1,103	907	—
40	40	35	35	30	—
94,739	3,194,364	3,151,864	3,151,864	3,023,064	3,001,314
2,071	2,231	2,350	2,195	1,918	1,958
29-15	23-11	14-10	14-10	14-10	15-11

903	667	608	(321)	1,999	9,102
54,147	51,282	49,326	46,837	37,106	32,310
341	244	232	216	367	268
55,391	52,193	50,166	46,732	39,472	41,680
4,349	3,768	4,778	3,549	—	4,656
—	—	—	—	—	—
4,361	3,777	3,199	2,703	2,174	1,703
46,681	44,648	42,189	40,480	37,298	35,321
14.61	13.98	13.39	12.84	12.34	11.77

3,049	3,249	3,167	1,463	1,327	2,115
383	188	117	39	—	—
2,351	2,267	2,258	2,018	939	2,211
—	—	—	8,597	4,568	—
<u>5,783</u>	<u>5,704</u>	<u>5,542</u>	<u>12,117</u>	<u>6,834</u>	<u>4,326</u>



## TEN-YEAR OPERATING SUMMARY

	1972	1971	1970	1969
<b>Production</b>				
Crude oil — thousands of barrels .....	2,799	2,726	2,713	2,465
Natural gas liquids — thousands of barrels .....	682	576	540	564
Total — thousands of barrels .....	3,481	3,302	3,253	3,029
Daily average — thousands of barrels .....	9.5	9.0	8.9	8.3
Value of net production — thousands .....	\$ 9,373	8,916	8,029	7,348
Average price per barrel .....	\$ 2.69	2.69	2.47	2.43
Natural gas — millions of cubic feet .....	12,193	10,211	9,379	8,581
Daily average — millions of cubic feet .....	33.3	28.0	25.7	23.5
Value of net production — thousands .....	\$ 2,678	2,040	1,737	1,540
Average price per thousand cubic feet .....	22.0c	18.8	18.5	18.0
Sulphur — Production — long tons .....	15,000	15,400	17,000	16,040
— Sales — long tons .....	9,900	10,500	11,900	12,700
Value of sales — thousands .....	\$ 61	90	121	298
Average price per long ton .....	\$ 6.16	8.57	10.18	23.46
<b>Reserves — Proved and Probable (1)</b>				
Crude oil — thousands of barrels .....	44,190	46,034	44,000	41,213
Natural gas liquids — thousands of barrels .....	10,814	12,139	11,424	10,809
Natural gas — millions of cubic feet .....	416,000	416,000	367,000	327,000
Sulphur — thousands of long tons .....	278	375	380	394
<b>Properties — thousands of acres</b>				
Oil and gas rights — gross .....	20,235	19,681	16,374	14,203
— net .....	7,773	8,268	5,867	5,405
Other minerals rights — gross .....	96	120	945	2,087
— net .....	84	104	553	1,041
<b>Net Wells</b>				
Oil .....	305	313	309	305
Gas .....	58	59	48	42
<b>Number of Employees .....</b>	129	135	135	124

(1) Proved reserves only for years 1963 to 1965 inclusive.

1968	1967	1966	1965	1964	1963
2,296	2,226	2,247	2,338	1,788	1,593
594	557	587	511	388	182
2,890	2,783	2,834	2,849	2,176	1,775
7.9	7.6	7.8	7.8	5.9	4.9
7,092	6,919	6,815	6,988	5,344	4,397
2.45	2.45	2.41	2.45	2.46	2.48
8,539	8,063	6,818	6,656	4,902	3,970
23.4	22.1	18.7	18.2	13.4	10.9
1,550	1,488	1,213	1,161	869	724
18.2	18.5	17.8	17.6	17.7	18.0
8,400	13,400	7,500	9,600	700	—
1,500	11,200	6,900	8,900	700	—
429	413	123	114	6	—
37.33	36.89	17.79	12.75	8.64	—

0,976	41,683	39,833	29,012	20,594	20,068
1,262	11,058	9,679	9,924	9,698	8,905
3,000	360,000	351,000	323,000	310,000	269,000
408	473	485	380	306	—

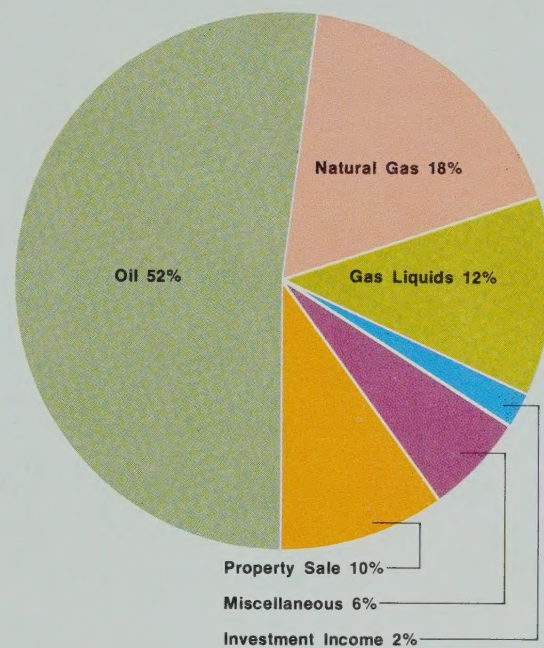
4,519	11,113	10,586	9,014	8,029	5,698
7,740	6,753	7,972	6,672	6,035	4,239
1,698	344	290	—	—	—
890	235	217	—	—	—

294	281	280	284	196	189
40	36	32	32	31	27

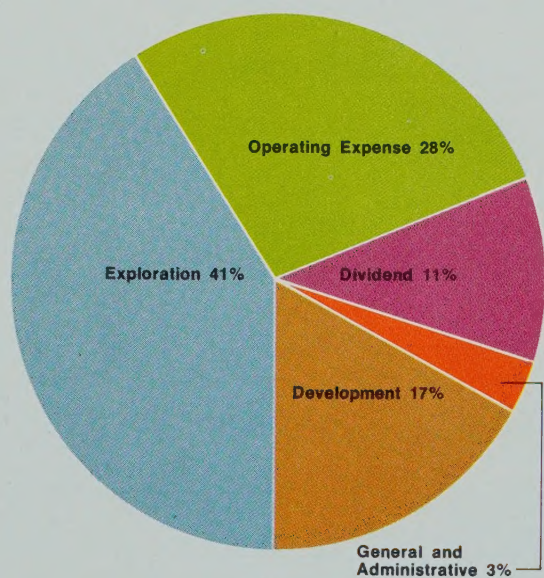
113	108	106	94	94	81
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## 1972 FUNDS

### Source



### Use



# **GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.**

Incorporated under the laws of Canada in March, 1950

## **Head Office**

736 - 8th Avenue S.W., Calgary, Alberta T2P 1H4

## **Directors**

**Norman J. Alexander**  
Winnipeg, Manitoba  
Managing Partner,  
Richardson Securities of Canada.

**William A. Arbuckle**  
Montreal, Quebec  
Chairman, Canadian Board of  
The Standard Life Assurance Company.

**T. Howard Atkinson**  
Montreal, Quebec  
Retired — Formerly Vice-President and General Manager,  
The Royal Bank of Canada.

**Robert F. Buchanan**  
Calgary, Alberta  
Financial Vice-President of the Company.

**J. Desmond Dewhurst**  
London, England  
Director,  
The Burmah Oil Company Limited.

**James A. Lumsden**  
Glasgow, Scotland  
Director and Chairman of the Board,  
The Burmah Oil Company Limited.

**John K. McCausland**  
Toronto, Ontario  
Consultant — Formerly Vice-President and Director,  
Wood Gundy Limited.

**David E. Mitchell**  
Calgary, Alberta  
President of the Company.

**Frederick L. Moore**  
New York, N. Y.  
Vice-President,  
Kidder, Peabody & Co. Inc.

**Nicholas J. D. Williams**  
London, England  
Managing Director,  
The Burmah Oil Company Limited.

## **Officers**

**David E. Mitchell**  
President

**Robert F. Buchanan**  
Financial Vice-President

**Leo L. Samoil**  
Vice-President, Exploration

**Dennis H. Scott**  
Secretary

**Edward A. Earle**  
Treasurer

## **Principal Subsidiary Companies**

Great Plains Oil & Gas Ltd.  
Great Plains Petroleums Limited  
Great Plains Resources Ltd.  
Great Plains (American) Inc.  
Northern Oil Explorers Ltd.  
Canada Oil Lands Co. Ltd.

## **Registrars and Transfer Agents**

### **Montreal Trust Company**

Montreal, Toronto, Winnipeg,  
Regina, Calgary, Vancouver

### **The Bank of New York**

New York, N. Y.

## **Auditors**

### **Riddell, Stead & Co.**

Chartered Accountants,  
Calgary, Alberta

## **Stock Listed**

### **Toronto Stock Exchange**

Toronto, Ontario





Great Plains  
Development Company  
of Canada, Ltd.